

**TUSCARORA TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN**

Financial Statements
For the Year Ended
June 30, 2005

Prepared By:
Richard E. Mahlmeister, C.P.A.
580 South Nicolet, P.O.Box 996
Mackinaw City, MI 49701

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Tuscarora Township		County Cheboygan
Audit Date 6/30/05	Opinion Date 10/18/05	Date Accountant Report Submitted to State: 12/15/05		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Richard E. Mahlmeister, CPA, PC			
Street Address 580 South Nicolet Street, P.O. Box 996		City Mackinaw City	State MI
Accountant Signature <i>Richard E. Mahlmeister, CPA</i>		ZIP 49701	Date

TUSCARORA TOWNSHIP

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INDEPENDENT AUDITORS' REPORT

October 18, 2005

Township Board
Tuscarora Township
Cheboygan County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of ***Tuscarora Township, Cheboygan County, Michigan***, as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of ***Tuscarora Township***, as of June 30, 2005, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 1 through 5 and 30 through 32, are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

A handwritten signature in dark ink, appearing to read "Richard E. Mahlmeister". The signature is fluid and cursive, with a prominent initial "R" and a long, sweeping underline.

Richard E. Mahlmeister, C.P.A.

TUSCARORA TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended June 30, 2005. Please read it in conjunction with the financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

FINANCIAL HIGHLIGHTS

Assets at June 30, 2005 totaled \$3,517,181 for governmental activities. Of the total, \$2,323,159 represent capital assets, net of depreciation.

Revenues derived from governmental activities were \$1,602,325 (\$149,778 from program revenues and \$1,452,547 from general revenues). Overall expenses for the Township's governmental activities were \$1,314,064.

The Township had outstanding debt of \$778,905. The Township purchased capital assets in the amount of \$153,401 during the fiscal year. Capital asset and debt activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: 1) management's discussion and analysis; 2) the basic financial statements; and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and/or business-type activities. There were no business-type activities for the fiscal year ended June 30, 2005.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

TUSCARORA TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Township as a whole, using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenses, regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Township's net assets are an indicator of whether financial position is improving or deteriorating.

To assess the overall health of the Township, you may also consider additional factors such as tax base changes, facility conditions, and personal changes.

Most of the activities of the Township are reported as governmental activities. These would include the operations recorded in the General Fund, Special Revenue - Police Fund, and Debt Service Funds.

The government-wide financial statements include not only the Township itself (known as the *primary government*), but also the Downtown Development Authority and Library component units, which are legally separate entities for which the Township is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The comparison of net assets of governmental activities from year to year serves to measure a government's financial position:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Current and other assets	\$1,194,022	\$922,133
Capital assets (net)	<u>2,323,159</u>	<u>2,470,314</u>
Total assets	<u>\$3,517,181</u>	<u>\$3,392,447</u>
Long-term liabilities	\$778,905	\$939,411
Other liabilities	<u>81,868</u>	<u>84,889</u>
Total liabilities	<u>\$860,773</u>	<u>\$1,024,300</u>
Net assets:		
Invested in capital assets net of related Debt	\$1,544,254	\$1,530,903
Unrestricted	<u>1,112,154</u>	<u>837,244</u>
Total	<u>\$2,656,408</u>	<u>\$2,368,147</u>

TUSCARORA TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
REVENUES:		
Program revenues:		
Charges for services	\$15,583	\$21,336
Operating grants and contributions	107,595	24,109
Capital grants and contributions	26,600	68,832
General revenues:		
Property taxes	1,082,105	994,525
State-shared revenues	226,622	236,284
Interest income	26,484	25,785
Other	6,628	59,654
Special item	110,708	-
Total revenues	<u>1,602,325</u>	<u>1,430,525</u>
EXPENSES:		
General government	307,911	288,648
Public safety	797,427	707,718
Public works	61,749	36,498
Recreation and culture	104,616	111,263
Interest on long-term debt	42,361	73,454
Total expenses	<u>1,314,064</u>	<u>1,217,581</u>
Increase in net assets	288,261	212,944
Beginning net assets, as restated	<u>2,368,147</u>	<u>2,155,203</u>
Ending net assets	<u>\$2,656,408</u>	<u>\$2,368,147</u>

Net assets increased by \$288,261 and liabilities decreased by \$163,527. Property taxes have increased and state-shared revenues have decreased. Overall expenses have increased by \$96,483.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. They may also be created by the Township Board. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

TUSCARORA TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FUND FINANCIAL STATEMENTS (CONTINUED)

The Township has the following types of funds:

Governmental Funds

Most of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

The Township maintains four individual governmental funds; General Fund, Police Fund, Township Hall Bonds Fund and Highbanks Erosion Control Bonds Fund. All of which we consider major funds. The Township funds are financed primarily by both property tax revenue and state shared revenues.

Fiduciary Funds

The Township acts as a trustee or fiduciary and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. The Township maintains these funds and is responsible for insuring that the assets of these activities are spent for their intended purpose and at the direction of those individuals/organizations to whom the funds belongs. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental Activities

The General Fund increased its fund balance by \$19,522, bringing the fund balance to \$319,137, the Special Revenue-Police Fund increased its fund balance by \$13,755, bringing the fund balance to \$324,600, the Township Hall Bonds Fund decreased its fund balance by \$2,448, bringing its fund balance to \$54,891 and the Highbanks Erosion Control Bonds Fund decreased its fund balance by \$1,889 bringing its fund balance to \$36,462. The Township continued to provide the same services to its residents: administrative, assessing, elections, township hall maintenance, road maintenance, airport, recreation/park development, tax collection, street lighting, police and fire protection.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year the Township Board amended its budget several times to take into account events during the year. Amendments resulted in a net increase in expenditures of \$91,182, which was primarily due to anticipated construction of the ice rink at Co-op Park.

TUSCARORA TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Capital Asset and Debt Administration

At June 30, 2005, the Township had \$3,300,366 in a broad range of capital assets, including buildings, parks, land for an industrial park (of which a portion was sold during the year), police, office and park equipment. Major additions were the new ice rink, improvements to the Marina Park project and a new police car. We have contracted to pave the airport runway this year for approximately \$50,000 and expect to receive a grant for the airport for approximately \$70,000.

At June 30, 2005 the Township had total debt outstanding of \$778,905. The Township reduced its debt by \$160,506 by making the required annual payments. Additional information on the Township's long-term debt can be found on pages 27 and 28 of this report.

FACTORS AFFECTING FUTURE OPERATIONS

Tax revenues continue to grow. We also consider state revenues as being an uncertain source of revenue. We believe that we need to continue to strive for a healthy fund balance.

CONTACTING TOWNSHIP MANAGEMENT

This financial report is designed to provide our citizens, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for revenues it receives. If you have any questions concerning this report, or need additional information, please contact the Township Clerk at 231.238.0970 (Tuscarora Township Hall).

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TUSCARORA TOWNSHIP
STATEMENT OF NET ASSETS
JUNE 30, 2005

ASSETS	PRIMARY GOVERNMENT	
	GOVERNMENTAL ACTIVITIES	COMPONENT UNITS
Cash and cash equivalents	\$229,118	\$202,721
Investments	535,256	20,000
Receivables	429,648	-
Capital assets	3,300,366	127,766
Accumulated depreciation	(977,207)	(106,227)
TOTAL ASSETS	\$3,517,181	\$244,260
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$29,489	\$ -
Accrued expenses	52,379	2,696
Long-term liabilities:		
Due within one year	155,945	-
Due in more than one year	622,960	-
TOTAL LIABILITIES	860,773	2,696
NET ASSETS:		
Invested in capital assets, net of related debt	1,544,254	21,539
Unrestricted	1,112,154	220,025
TOTAL NET ASSETS	2,656,408	241,564
TOTAL LIABILITIES AND NET ASSETS	\$3,517,181	\$244,260

The accompanying notes are an integral part of these financial statements.

**TUSCARORA TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government			
Governmental activities			
General government	\$307,911	\$ -	\$106,870
Public safety	797,427	3,897	725
Public works	61,749	-	-
Recreation and culture	104,616	11,686	-
Interest on long-term debt	42,361	-	-
Total governmental activities	1,314,064	15,583	107,595

General Revenues
Property taxes
State-shared revenues
Unrestricted interest income
Other
Special item

Total general revenues

Change in net assets

Net assets, beginning of year

Prior period adjustment

Net assets, beginning of year, as restated

Net assets, end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Assets		
	Primary Government	Component Units
Capital Grants and Contributions	TOTAL	TOTAL
\$ -	(\$201,041)	(\$3,950)
-	(792,805)	-
-	(61,749)	-
26,600	(66,330)	(76,854)
-	(42,361)	-
26,600	(1,164,286)	(80,804)
	1,082,105	70,636
	226,622	2,354
	26,484	2,483
	6,628	40,771
	110,708	-
	1,452,547	116,244
	288,261	35,440
	2,172,492	206,124
	195,655	-
	2,368,147	206,124
	\$2,656,408	\$241,564

FUND FINANCIAL STATEMENTS

TUSCARORA TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2005

<u>ASSETS</u>	<u>GENERAL</u>	<u>POLICE</u>	<u>TOWNSHIP HALL BONDS</u>
Cash and cash equivalents	\$83,736	\$61,248	\$54,891
Investments	229,578	295,528	-
Special assessments receivable	32,304	-	-
Notes	295,000	-	-
Due from other funds	2,931	-	-
Receivable from other governments	31,554	-	-
TOTAL ASSETS	\$675,103	\$356,776	\$54,891
 <u>LIABILITIES AND FUND EQUITY</u>			
LIABILITIES:			
Accounts payable	\$28,662	\$827	\$ -
Accrued salaries payable	-	12,873	-
Accrued compensated absences	-	18,476	-
Deferred revenue	327,304	-	-
TOTAL LIABILITIES	355,966	32,176	-
 FUND BALANCES			
Reserved for:			
Debt service	-	-	54,891
Lights	19,456	-	-
Fire protection	6,628	-	-
METRO Act	4,081	-	-
Marina Park	46,035	-	-
Designated for parks	39,439	-	-
Unreserved - undesignated	203,498	324,600	-
TOTAL FUND BALANCES	319,137	324,600	54,891
 TOTAL LIABILITIES AND FUND EQUITY	\$675,103	\$356,776	\$54,891

The accompanying notes are an integral part of these financial statements.

HIGHBANKS EROSION CONTROL BONDS	TOTAL GOVERNMENTAL FUNDS
\$26,312	\$226,187
10,150	535,256
70,790	103,094
-	295,000
-	2,931
-	31,554
<u>\$107,252</u>	<u>\$1,194,022</u>

\$ -	\$29,489
-	12,873
-	18,476
<u>70,790</u>	<u>398,094</u>
<u>70,790</u>	<u>458,932</u>

36,462	91,353
-	19,456
-	6,628
-	4,081
-	46,035
-	39,439
-	528,098
<u>36,462</u>	<u>735,090</u>
<u>\$107,252</u>	<u>\$1,194,022</u>

TUSCARORA TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2005

Reconciliation of fund balances on the balance sheets for governmental activities
to the statement of net assets

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS

\$735,090

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported in the funds.

Add: capital assets

3,300,366

Subtract: accumulated depreciation

(977,207)

Special assessment receivables are expected to be collected over several years
and are not available to pay current year expenditures.

Add: deferred special assessment revenues and other deferred revenues.

398,094

Certain liabilities, including bonds and notes payable and accrued interest, are not
due and payable in the current period and, therefore, are not reported as liabilities
in the funds and consist of:

Subtract: bonds and notes payable

(778,905)

Subtract: accrued interest on long-term liabilities

(21,030)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$2,656,408

The accompanying notes are an integral part of these financial statements.

TUSCARORA TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	GENERAL	POLICE	TOWNSHIP HALL BONDS
REVENUES			
Taxes	\$366,727	\$649,524	\$65,854
State shared revenues and grants	234,608	18,614	-
Donations	106,870	725	-
Charges for services	11,686	3,897	-
Interest and rents	16,198	3,131	408
Other	25,608	3,719	-
TOTAL REVENUES	761,697	679,610	66,262
EXPENDITURES			
Current:			
Legislative	74,378	-	-
General government	188,788	-	-
Public safety	124,175	644,716	-
Public works	61,749	-	-
Recreation and culture	66,954	-	-
Other	4,403	-	-
Capital Outlay	132,262	21,139	-
Debt Service:			
Principal	65,506	-	55,000
Interest and fees	23,960	-	13,710
TOTAL EXPENDITURES	742,175	665,855	68,710
REVENUES OVER (UNDER) EXPENDITURES	19,522	13,755	(2,448)
FUND BALANCES, BEGINNING OF YEAR,	299,615	310,845	57,339
FUND BALANCES, END OF YEAR	\$319,137	\$324,600	\$54,891

The accompanying notes are an integral part of these financial statements.

HIGHBANKS EROSION CONTROL BONDS	TOTAL GOVERNMENTAL FUNDS
\$ -	\$1,082,105
-	253,222
-	107,595
-	15,583
6,747	26,484
37,492	66,819
44,239	1,551,808
-	74,378
-	188,788
-	768,891
-	61,749
-	66,954
-	4,403
-	153,401
40,000	160,506
6,128	43,798
46,128	1,522,868
(1,889)	28,940
38,351	706,150
\$36,462	\$735,090

TUSCARORA TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

Reconciliation of statement of revenues, expenditures and changes in fund balances of governmental funds to statement of activities

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$28,940

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, those costs are allocated over their useful lives as annual depreciation expense in the statement of activities.

Add: capital outlay capitalized during the current year	153,401
Subtract: depreciation expense	(106,539)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Add: current year special assessments.	103,094
Subtract: prior year special assessments.	(153,560)
Add: other deferred revenues	295,000

In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sales increase financial resources. Thus the change in net assets differs from the change in fund balance by the cost of the assets sold. (194,017)

Repayment of bond and note principal is an expenditure in the governmental funds, however, it reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities.	160,506
---	---------

Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Add: prior year accrued interest on bonds and notes.	22,466
Subtract: current year accrued interest on bonds and notes.	(21,030)

CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$288,261

The accompanying notes are an integral part of these financial statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

TUSCARORA TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2005

	AGENCY FUND TYPE (Property Tax Collection)
ASSETS	
Cash	
Investments	\$2,931
TOTAL ASSETS	<u>-</u>
	<u>\$2,931</u>
LIABILITIES	
Due to other funds	
Employee benefits payable	\$2,931
TOTAL LIABILITIES	<u>-</u>
	<u>2,931</u>
NET ASSETS	
Fiduciary Net Assets	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

TUSCARORA TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2005

	AGENCY FUND TYPE (Property Tax Collection)
ADDITIONS	
Property tax collections for other governmental units	\$4,159,752
DEDUCTIONS	
Property tax distributions to other governmental units	4,159,752
Change in Net Assets	-
Fiduciary Net Assets - Beginning of Year	-
Fiduciary Net Assets - End of Year	\$ -

The accompanying notes are an integral part of these financial statements.

COMPONENT UNIT FINANCIAL STATEMENTS

TUSCARORA TOWNSHIP
STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2005

ASSETS	DOWNTOWN DEVELOPMENT AUTHORITY	LIBRARY	TOTAL COMPONENT UNITS
Cash and cash equivalents	\$110,969	\$91,752	\$202,721
Investments	-	20,000	20,000
Capital assets	-	127,766	127,766
Accumulated depreciation	-	(106,227)	(106,227)
TOTAL ASSETS	\$110,969	\$133,291	\$244,260
LIABILITIES AND NET ASSETS			
LIABILITIES:			
Accrued expenses	\$ -	\$2,696	\$2,696
NET ASSETS:			
Invested in capital assets, net of related debt	-	21,539	21,539
Unrestricted	110,969	109,056	220,025
TOTAL NET ASSETS	110,969	130,595	241,564
TOTAL LIABILITIES AND NET ASSETS	\$110,969	\$133,291	\$244,260

The accompanying notes are an integral part of these financial statements.

**TUSCARORA TOWNSHIP
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2005**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Downtown Development Authority			
General government	\$3,950	\$ -	\$ -
Library			
Recreation and culture	\$92,852	\$2,427	\$13,571
		General Revenues	
		Property taxes	
		State-shared revenues	
		Unrestricted interest income	
		Other	
		Total general revenues	
Total governmental activities		Change in net assets	
		Net assets, beginning of year	
		Net assets, end of year	

The accompanying notes are an integral part of these financial statements.

Net (Expense)
Revenue and Changes
in Net Assets

Capital Grants and Contributions	Downtown Development Authority	Library	TOTAL
\$ -	(\$3,950)	\$ -	(\$3,950)
\$ -	\$ -	(\$76,854)	(\$76,854)
	41,824	28,812	70,636
	-	2,354	2,354
	803	1,680	2,483
	-	40,771	40,771
	42,627	73,617	116,244
	38,677	(3,237)	35,440
	72,292	133,832	206,124
	\$110,969	\$130,595	\$241,564

TUSCARORA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Tuscarora Township, Michigan conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies.

THE REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity", the financial statements of the reporting entity include those of the Township and any component units. The basic criterion for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Library and Downtown Development Authority are presented as component units. Separate financial statements are not issued.

DISCRETELY PRESENTED COMPONENT UNITS

Library - The Township Library, which was established pursuant to the provisions of Public Act 164 of 1877, as amended, is governed by a six person Board of Directors elected through primary and general elections. The Library may issue debt subject to the limitations set forth in the Act and is funded by an annual property tax levy and state penal fines.

Downtown Development Authority - The Downtown Development Authority, which was established pursuant to the provisions of Act 197 of 1975, as amended, is governed by the Township Supervisor and an eight-member board. The Authority may issue debt subject to the limitations set forth in the Act and is funded by a specified annual property tax capture of a portion of the Township and County levies which may only be used for activities within the downtown district.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support (the township does not have any business-type activities). Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

TUSCARORA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements (Continued)

The statement of activities demonstrates the degree to which direct expenses of a given function or segment offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues are reported instead as general revenue.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Major funds are generally those that represent 10% or more of the respective fund type assets, liabilities, revenues or expenditures. The township considers all funds to be major funds.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

TUSCARORA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND TYPES AND MAJOR FUNDS

Governmental Funds

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. Financing is provided primarily by property taxes and state shared revenues.

Police Fund - This fund accounts for revenues and expenditures directly attributable to police operations. Revenue is primarily obtained from property taxes for this purpose.

Township Hall Bonds Fund - This fund is used to account for the property taxes collected and the payments on bonds issued for the 1993 original construction of Township Hall.

Highbanks Erosion Control Bonds Fund - This fund accounts for the special assessment revenues and payments on the bonds issued for the 1997 Highbanks Erosion Control Project.

Fiduciary Funds

Trust and Agency Fund - The Tax Collection Fund is used to account for property taxes collected for the township and as an agent for other governmental units. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts.

INVESTMENTS

Investments are stated at cost, which approximates market, and consist of certificates of deposit with maturity values of three months or longer and bank money market funds, which invest, solely in short-term fixed income securities of the U.S. Treasury and U.S. Agencies.

TUSCARORA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECEIVABLES AND PAYABLES

All receivables are reported at gross value. Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which transactions are executed. All receivables are reported at their gross values.

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Capital assets are defined by the government as assets with an initial individual cost of \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Expenditures for maintenance and repair are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	10 – 40 years
Land improvements	15 years
Equipment and vehicles	5 – 10 years

TUSCARORA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are reported as debt service expenditures.

FUND EQUITY

Reserved fund balances for governmental funds indicate that a portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Designated fund balance indicates that a portion of fund equity for which the Township has made tentative plans. Undesignated fund balance indicates that portion of fund equity, which is available for budgeting in future periods.

BUDGETS AND BUDGETARY ACCOUNTING

The Township follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing on July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Township Board.

The Township Board's budgetary procedures are in compliance with P.A 621 of 1978 (The Uniform Budgeting Act).

TUSCARORA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order of the applicable appropriations, is not employed by the Township because it is, at present, considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

PROPERTY TAX REVENUE RECOGNITION

Property tax revenues for the year ended June 30, 2005 reflected in the accompanying financial statements include property taxes levied December 1, 2004. These taxes are due by February 15, 2005, and are added to the County tax rolls after February 28, 2005. The Township receives 100% payment for the delinquent tax by June, 2005. The Township bills and collects its own property taxes and also taxes for other governmental units. Collections of the other governmental units taxes and remittance of them to the units are accounted for in the Fiduciary – Tax Collection Fund.

The taxable value of the Township totaled \$168,339,023, on which ad valorem taxes consisted of .9075mills for the Township's operating purposes, .1684 mills for lights, .7592 mills for fire protection, 3.9815 mills for police protection, .4063 mills for debt retirement and .1715 mills for the component unit library operations.

VACATION AND SICK LEAVE

Accrued vacation pay to police employees of \$18,476 has been accounted for in the Police Fund as a current liability under accrued compensated absences as it is not to be accumulated.

PENSION

The provision for pension cost is recorded on an accrual basis, and the Township's policy is to fund pension costs as they accrue.

DEFERRED REVENUE

Deferred revenue recorded in general and debt service funds consists of special assessments on taxpayers for various road and erosion control projects, and represents amounts to be collected in the future. Additionally, revenue is deferred in the governmental funds on the collection on a note from the sale of industrial park land.

TUSCARORA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS

Primary Government

The captions on the combined balance sheet relating to cash, cash equivalents and investments and the amounts in the Total (Memorandum Only) primary government column is as follows:

Cash and cash equivalents	\$229,118
Investments	<u>535,256</u>
	<u>\$764,374</u>

At year-end the carrying amount of the Township's primary government deposits were classified as to risk as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$259,343	\$252,412
Uninsured – uncollateralized	<u>505,031</u>	<u>505,040</u>
	<u>\$764,374</u>	<u>\$757,452</u>

Investments of the primary government consist of U.S. government mutual funds with a carrying amount and market value of \$461,000 and are uninsured.

Component Units

The captions on the balance sheet relating to cash, cash equivalents and investments and the amounts in the Component Unit column is as follows:

Cash and cash equivalents	\$202,721
Investments	<u>20,000</u>
	<u>\$222,721</u>

TUSCARORA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

At year-end the carrying amount of the deposits in the Component Unit column were classified as to risk as follows:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$202,727	\$202,727
Uninsured – uncollateralized	19,994	20,100
	<u>\$222,721</u>	<u>\$222,827</u>

The GASB Statement No. 3 risk disclosures are as follows:

1. Insured or Registered, or Securities held by the Township or the Township's agent in the Township's name.
2. Uninsured and Unregistered, with Securities held by the Counterparty's Trust Department or its agent in the Township's name.
3. Uninsured and Unregistered, with Securities held by the Counterparty or the Counterparty's Trust Department or Agent, but not in the Township's name.

The Township's deposits and investments are in accordance with statutory authority.

Statutory Authority

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

TUSCARORA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 3: RECEIVABLES AND DEFERRED REVENUES

The composition of receivables at June 30, 2005 follows:

Special assessments		\$103,094
Notes – Industrial Park Land, current	\$12,300	
Notes – Industrial Park Land, long-term	282,700	295,000
Receivable from other governmental units		31,554
		<u>31,554</u>
Total receivables		<u>\$429,648</u>

The notes receivable represents a land contract on the sale of six parcels of Township industrial park land. The terms call for annual payments of \$30,000, including interest at 6%, due June 9, 2010, secured by the land.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, deferred revenue reported in the governmental funds was as follows:

Special assessments	\$103,094
Notes – Industrial Park Land	295,000
	<u>295,000</u>
Total deferred revenue	<u>\$398,094</u>

NOTE 4: CAPITAL ASSETS

Capital asset activity of the primary government governmental activities for the current year was as follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Not being depreciated:				
Land	\$1,305,177	\$ -	(\$194,017)	\$1,111,160
Being Depreciated:				
Land improvements	9,147	-	-	9,147
Parks	371,929	132,262	-	504,191
Buildings	1,237,527	-	-	1,237,527
Equipment	295,680	2,075	-	297,755
Vehicles	139,923	19,064	(18,401)	140,586
	<u>3,359,383</u>	<u>153,401</u>	<u>(212,418)</u>	<u>3,300,366</u>
Subtotal				
	3,359,383	153,401	(212,418)	3,300,366
Less accumulated depreciation	(889,069)	(106,539)	18,401	(977,207)
Total	<u>\$2,470,314</u>	<u>\$46,862</u>	<u>(\$194,017)</u>	<u>\$2,323,159</u>

TUSCARORA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 4: CAPITAL ASSETS (CONTINUED)

Depreciation was charges to the Township's functions as follows:

General government	\$40,341
Public safety	28,536
Recreation and culture	<u>37,662</u>
	<u>\$106,539</u>

Capital asset activity of the component unit (Library) governmental activities for the current year was as follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Being depreciated:				
Equipment	\$106,751	\$2,195	\$ -	\$108,946
Books	-	18,820	-	18,820
Subtotal	106,751	21,015	-	127,766
Less accumulated depreciation	<u>(95,526)</u>	<u>(10,701)</u>	-	<u>(106,227)</u>
Total	<u>\$11,225</u>	<u>\$10,314</u>	<u>\$ -</u>	<u>\$21,539</u>

Depreciation was charges to the Component Unit's functions as follows:

Recreation and culture	<u>\$10,701</u>
------------------------	-----------------

NOTE 5: INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables are as follows:

Fund	Interfund Receivable	Interfund Payable
Primary government:		
General fund	\$2,931	\$ -
Fiduciary fund	-	<u>2,931</u>
Total	<u>\$2,931</u>	<u>\$2,931</u>

TUSCARORA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

TUSCARORA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 6: PENSION PLANS

Plan description. The Township participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers the police department employees of the Township. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at Municipal Employees Retirement System, 1134 Municipal Way, Lansing, MI 48917.

Funding Policy. The obligation to contribute to and maintain the system for these employees was established by the Township Board. There are no contribution requirements for the employees of the Township. The Township is required to contribute at an actuarially determined rate; the current rate is 16.02% of annual covered payroll. The contribution requirements of plan members and the Township are established and may be amended by the MERS board.

Annual Pension Cost. For the year ended December 31, 2004 the Township's annual pension cost of \$40,320 for the plan was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age normal cost method. Significant actuarial assumptions used include (a) a 8.0% investment rate of return, (b) projected salary increases of 4.5% per year, and (c) 4.5% percent per year cost of living adjustments. Both using techniques that smooth the effects of short term volatility over a four year period. The positive unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis over 30 years and the negative unfunded actuarial liability is being amortized over 10 years.

Three year trend information.

	<u>Fiscal year ended December 31:</u>		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Annual pension cost (APC)	\$ 31,295	\$ 36,575	\$ 40,320
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ 0	\$ 0	\$ 0
Actuarial value of assets	\$290,559	\$359,829	\$429,074
Actuarial Accrued Liability (AAL)	\$363,902	\$389,143	\$772,498
Unfunded AAL	\$ 73,343	\$ 29,314	\$343,424
Funded ratio	80%	92%	56%
Covered payroll	\$302,368	\$319,341	\$352,326
UAAL as a percentage of covered payroll	24%	9%	97%

TUSCARORA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The Township also provides pension benefits to some of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the Township contributes 7.5% of employees' gross earnings and the employees are not required to make any contribution. In accordance with these requirements, the Township contributed \$3,566 during the current year. Fees and contract charges were \$175.

NOTE 7: DEFERRED COMPENSATION PLAN

The Township offers participation to certain employees in a deferred compensation plan created in accordance with Internal Revenue Code Section 457, which is administered by Prudential Financial. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in Tuscarora Township's financial statements.

NOTE 8: DEBT

A summary of general long-term debt at June 30, 2005, and transactions related thereto for the year then ended is as follows:

	Balance July 1, 2004	Additions	(Reductions)	Balance June 30, 2005	Due Within One Year
\$700,000 1993 general obligation unlimited tax bonds for construction of community building, payable in annual installments of \$30,000 to \$65,000, bearing interest semi-annually from 2.9% to 5.2%, through October, 2008.	\$300,000	\$ -	(\$55,000)	\$245,000	\$55,000
\$390,000 1997 general obligation limited tax special assessment bonds for Highbanks Erosion Control Project, payable in annual installments from \$25,000 to \$45,000, bearing interest semi-annually from 4.05% to 4.95%, through April, 2007.	125,000	-	(40,000)	85,000	40,000
\$75,000 1996 note for Sturgeon River Bridge Project, payable in monthly installments of \$722 including interest at 4.36% through December, 2006.	21,911	-	(8,480)	13,431	8,857
\$259,000 1998 land purchase note due in monthly installments of \$2,663 including interest at 4.33% through December, 2008.	130,449	-	(26,837)	103,612	28,022
\$417,763 1999 Promissory Note for contracted services due in annual installments of \$37,055 including interest at 5% through July 1, 2017	348,081	-	(19,651)	328,430	20,634
\$40,000 2002 Equipment Note due in annual installments of \$11,187 including interest at 4.64% through March, 2006.	13,970	-	(10,538)	3,432	3,432
	<u>\$939,411</u>	<u>\$ -</u>	<u>(\$160,506)</u>	<u>\$778,905</u>	<u>\$155,945</u>

TUSCARORA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 8: DEBT (CONTINUED)

The annual principal and interest requirements for the years ending June 30, 2006 and thereafter, including \$157,477 in interest, are as follows:

<u>Year Ended June 30,</u>	
2006	\$192,101
2007	189,068
2008	139,050
2009	119,722
2010	37,055
2011 – 2015	<u>259,386</u>
Total	<u><u>\$936,382</u></u>

NOTE 9: RESERVES AND DESIGNATIONS

Township Hall Bonds – Township Hall Bonds Fund has \$54,891 reserved for payment of long-term debt principal, interest and related costs.

Highbanks Erosion Control – Highbanks Erosion Control Fund has \$36,462 reserved for payment of long-term debt principal, interest and related costs.

Lights - The General Fund has \$19,456 reserved from a special millage for street lighting within the Township.

Fire Protection - The General Fund has \$6,628 reserved from a special millage for fire protection within the Township.

METRO Act - The General Fund has \$4,081 reserved from the State of Michigan to be used for road right-of-way maintenance within the Township.

Marina Park - The General Fund has \$46,035 reserved for development of the so-called Marina Park within the Township.

Designation for Parks - The General Fund has \$39,439 designated for park operations.

NOTE 10: CONTINGENCIES

In the normal course of operations the Township receives grant funds from state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

TUSCARORA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 11: COMMITMENTS

The Township has entered into a contract for paving of the airport in the amount of approximately \$50,000.

NOTE 12: SPECIAL ITEM

During the year the Township sold a portion of the industrial park land located within the Township resulting in a gain of \$110,708. The gain was a significant item infrequent in occurrence that was subject to management's control.

In accordance with Government Accounting Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, this item is included in the Statement of Activities as a separate line item.

NOTE 13: RISK MANAGEMENT

The Township participates in the Michigan Township Participating Plan for general liability, property loss, professional, public official errors and omissions liabilities. This plan is a self-insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan, through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of the Township. The Township pays an annual premium to the Michigan Participating Plan for its general insurance coverage and has no additional liability beyond the premiums made to this plan. The Township carries coverage for general liability, wrongful acts, law enforcement, automobile, crime, inland marine liability and bonding for public officials errors and omissions. Additionally, the Township has purchased commercial insurance for workman's compensation benefits. Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 14: PRIOR PERIOD ADJUSTMENTS

Beginning net assets of the primary government governmental activities were restated to correct an error in the carrying value of certain capital assets as follows:

June 30, 2004, as previously reported	\$2,172,492
Increase in capital asset	<u>195,655</u>
June 30, 2004, as restated	<u><u>\$2,368,147</u></u>

The effect of this adjustment is also reflected in Note 4 – Capital Assets.

REQUIRED SUPPLEMENTARY INFORMATION

TUSCARORA TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes:				
Current tax collections	\$162,100	\$162,100	\$147,244	(\$14,856)
Special assessment - lights	27,500	27,500	27,463	(37)
Special assessment - fire protection	123,955	123,955	123,870	(85)
Swampland taxes	4,200	4,200	4,126	(74)
Property taxes - administrative fee	49,000	49,000	64,024	15,024
Total taxes	366,755	366,755	366,727	(28)
State shared revenues and grants:				
State grant	26,600	26,600	26,600	-
State shared revenues	222,000	222,000	208,008	(13,992)
State shared revenues and grants	248,600	248,600	234,608	(13,992)
Donations	11,000	11,000	106,870	95,870
Charges for services:				
Cemetery lots, vault and other	19,000	19,000	11,686	(7,314)
Interest and rentals:				
Interest	5,000	5,000	12,849	7,849
Other rentals	2,000	2,000	3,349	1,349
Total interest and rentals	7,000	7,000	16,198	9,198
Other revenue:				
Road special assessments	16,000	16,000	12,974	(3,026)
Proceeds from sales of assets	-	-	9,725	9,725
Other	2,160	2,160	2,909	749
Total other revenue	18,160	18,160	25,608	7,448
TOTAL REVENUES	670,515	670,515	761,697	91,182

TUSCARORA TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
CURRENT:				
LEGISLATIVE				
Township board	\$89,280	\$88,121	\$74,378	\$13,743
GENERAL GOVERNMENT				
Supervisor	21,761	21,761	21,113	648
Elections	3,000	3,600	3,551	49
Professional Services	5,000	3,000	2,995	5
Assessor	46,728	53,748	49,981	3,767
Clerk	24,761	25,761	23,973	1,788
Board of Review	1,600	1,600	1,150	450
Treasurer	29,990	29,990	29,554	436
Township property	54,500	54,500	47,531	6,969
Cemetery	8,545	9,045	8,940	105
TOTAL GENERAL GOVERNMENT	195,885	203,005	188,788	14,217
PUBLIC SAFETY				
Planning	1,555	955	220	735
Fire protection	123,955	123,955	123,955	-
TOTAL PUBLIC SAFETY	125,510	124,910	124,175	735
PUBLIC WORKS				
Road repair and maintenance	20,600	30,600	29,697	903
Street lighting	28,000	28,000	26,782	1,218
Refuse collection	6,000	7,000	5,270	1,730
TOTAL PUBLIC WORKS	54,600	65,600	61,749	3,851
RECREATION AND CULTURE - PARKS	67,713	67,713	66,954	759
OTHER				
Airport	4,735	4,735	4,403	332
CAPITAL OUTLAY	30,900	153,159	132,262	20,897
DEBT SERVICE				
Principal	65,550	65,550	65,506	44
Interest	23,992	23,992	23,960	32
TOTAL DEBT SERVICE	89,542	89,542	89,466	76
TOTAL EXPENDITURES	658,165	796,785	742,175	54,610
NET CHANGE IN FUND BALANCE	12,350	(126,270)	19,522	145,792
FUND BALANCES - BEGINNING OF YEAR	299,615	299,615	299,615	-
FUND BALANCES - END OF YEAR	\$311,965	\$173,345	\$319,137	\$145,792

**TUSCARORA TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE - POLICE FUND
FOR THE YEAR ENDED JUNE 30, 2005**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$650,000	\$609,025	\$649,524	\$40,499
State shared revenues and grants	1,500	1,000	18,614	17,614
Donations	1,000	1,000	725	(275)
Charges for services	2,300	1,500	3,897	2,397
Interest and rents	2,500	3,000	3,131	131
Other	15,000	11,000	3,719	(7,281)
TOTAL REVENUES	672,300	626,525	679,610	53,085
EXPENDITURES				
Current:				
Public safety	646,592	663,045	644,716	18,329
Capital Outlay	20,500	24,047	21,139	2,908
TOTAL EXPENDITURES	667,092	687,092	665,855	21,237
REVENUES OVER (UNDER) EXPENDITURES	5,208	(60,567)	13,755	74,322
FUND BALANCES, BEGINNING OF YEAR,	310,845	310,845	310,845	-
FUND BALANCES, END OF YEAR	\$316,053	\$250,278	\$324,600	\$74,322

RICHARD E. MAHLMEISTER



Member:

American Institute of Certified Public Accountants

Michigan Association of Certified Public Accountants

October 18, 2005

Township Board
Tuscarora Township
Cheboygan County, Michigan

In planning and performing my audit of the financial statements of ***Tuscarora Township, Cheboygan County, Michigan***, for the year ended June 30, 2005, I considered the Township's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit I became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated October 18, 2005 on the financial statements of ***Tuscarora Township***.

Thank you for the opportunity to serve ***Tuscarora Township***. I appreciate the assistance I received from both the Clerk and Treasurer during my audit. Best wishes in the next year.

Sincerely,

Richard E. Mahlmeister, C.P.A.

CASH/INVESTMENTS

At year-end, the Township had \$505,040 in deposits with financial institutions that are uninsured by federal depository insurance. This includes approximately \$461,000 in municipal investment funds, which are uninsured. Though these funds are in a high quality bank and comply with the Township's investment policy, I recommend that the Township consider reviewing and/or updating its investment policy relative to these type of investments.